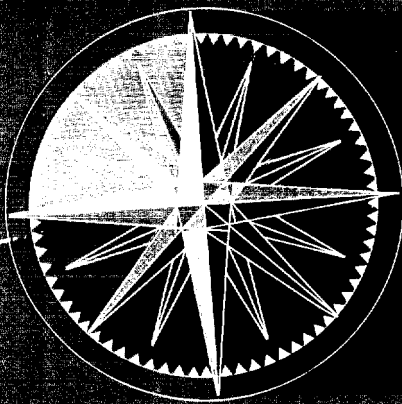


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# CURRENT INTELLIGENCE WEEKLY SPECIAL REPORT

## THE PROSPECTS FOR ECUADOR

### CENTRAL INTELLIGENCE AGENCY DIRECTORATE OF INTELLIGENCE

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### **THE PROSPECTS FOR ECUADOR**

After nearly 33 months of rule by a reform-minded military junta, Ecuador passed on 30 March 1966 to a weak interim government headed by a Guayaquil businessman-economist, Clemente Yerovi Indaburu. The caretaker status of Yerovi's government and the inexperience of his cabinet suggest that little action will be taken to deal with the country's underlying political and economic problems. However, his government is making progress on a return to constitutional rule, and has taken steps to deal with the more immediate economic problems, which include a serious loss of foreign reserves, a substantial budget deficit, and a rising cost of living. Although, these problems, or plotting on the part of various groups, or Yerovi's own moodiness, could bring down his government, chances are it may last until a new constitutional government is scheduled to emerge. There is little reason to believe, however, that the next government will be any more successful than Yerovi and his predecessors have been in bringing about the constructive changes or general progress that Ecuador so desperately needs.

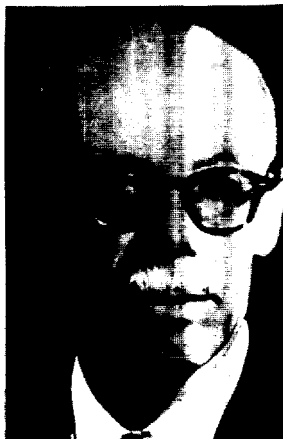
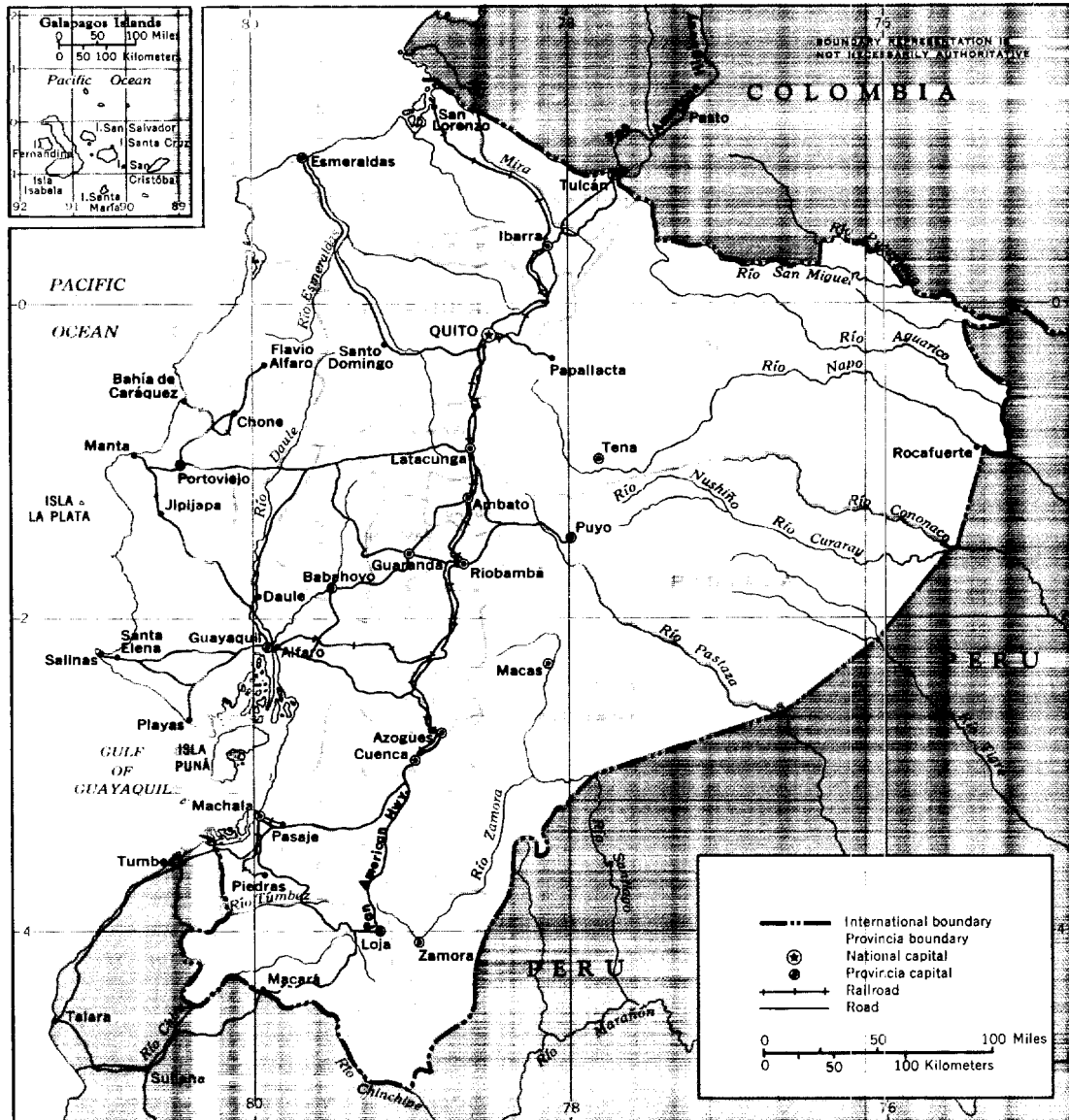
#### Yerovi's Problems

When Ecuador's ruling three-man military junta resigned last March after a succession of commercial strikes and violent demonstrations by students and politicians, Yerovi was named interim president by the armed forces high command in consultation with political and church leaders. At that time he was accepted and to some extent supported by most of the country's political groups. This support dwindled, however, as Yerovi gained control of his administration and not only began resisting the pressures of the various interest groups that had

put him in power, but also started cracking down on the Communist and extremist activity he had tolerated at first.

Yerovi's biggest personal liability at present is his own moodiness; during occasional fits of depression and defeatism he threatens to quit, thus damaging the public's confidence in his regime. Moreover, due to the tenuous nature of his mandate, which he has correctly interpreted as that of a caretaker until a constituent assembly can be elected and installed, Yerovi has turned his back on any new or constructive programs and has sought

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Jose Maria Velasco Ibarra

## SELECTED DATA

POPULATION: 5,084,000 (1965) 39% Indian, 10% White,  
41% Indian-white mixed, 10% Negro and Oriental.  
Literacy-57% Registered Voters-1,000,000

## ECONOMIC INDICATORS:

Exports (Jan-Jun 1966)-\$63.2 million  
Imports (Jan-Jun 1966)-\$70.9 million

## International Monetary Reserves (millions)

June 1965	March 1966	May 1966	July 1966
\$31.4	\$25.0	\$16.3	\$26.8

Cost of Living Index  
(1951 = 100)

December 1965	June 1966
\$134.0	\$136.7

SECURITY FORCES: Army-10,000 Navy-2,630  
Air Force-1,646 Police-5,000

Interim President  
Clemente Yerovi Indaburu

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only to cope with day-to-day problems.

Greatest of these has been the deterioration of the economy. Banana exports, the traditional source of foreign exchange, declined nearly 27 percent in 1965 from the 1964 level. Although this decline was largely offset by an increase in coffee exports, imports increased sharply, resulting in a loss in 1965 of US \$11.3 million in international reserves. During the first three months of 1966, the trade imbalance continued. By 31 March, monetary reserves had dropped 26 percent further to \$25 million--only enough to cover about two months' import requirements.

In addition to the balance of payments difficulties, it had been estimated that the junta's budget would run a deficit of up to \$25 million--a significant sum in a nation with a total budget of \$250 million. The immediate effects of the junta's financial problems had been a difficulty in paying government workers, a slowdown in development projects, and a sharp fluctuation in the value of the once rock-steady sucre.

In order to protect international monetary reserves and reduce the budget deficit, the junta had imposed special import taxes that were highly unpopular with the business community. The taxes, coupled with growing political agitation over

the junta's plan for transition to constitutional rule, led to its downfall.

Upon taking office, the interim government immediately repealed the junta's economic measures and reduced the 1966 budget by \$18 million. The trade imbalance continued, however, and by late May--when the foreign exchange reserves had fallen to \$16.3 million--the new government had to impose import taxes very similar to those of the junta. To supplement its domestic measures the government also arranged a \$13-million standby agreement with the International Monetary Fund, an \$11-million loan from private American banks, and a \$10-million loan from the US Agency for International Development to finance the budget deficit. While the import tariffs and external loans have not eliminated the country's economic worries, they have kept the government afloat and increased the prospects that Ecuador may be able to work out its economic problems.

### The Constituent Assembly

Yerovi has gone ahead with plans to convene a long-promised constituent assembly which will presumably revise the 1946 constitution and name a president for a four-year term. Sixty-seven delegates to the assembly will be chosen by direct popular vote on 16 October. Twelve functional deputies representing interest groups such as industry, agriculture,

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labor, and the Chambers of Commerce will be elected indirectly between 1 September and 15 October. The constituent assembly is then scheduled to convene on 3 November.

If Yerovi is able to withstand the pressures against him, the transition to constitutional rule will probably be made through the constituent assembly, the traditional way that Ecuador has passed from de facto to constitutional regimes. Most Ecuadorean politicians believe that once the assembly has taken office, it will take upon itself greater powers than simply drafting a new constitution. They expect that it will name a provisional president for the period the assembly is in session, pass upon the laws of the previous two de facto regimes, and even name a constitutional president to serve for as long as four years.

Many politicians have expressed the belief that the assembly will reconfirm Yerovi as provisional--or possibly even constitutional--president, provided he has done an acceptable job in the interim. Ex-President Velasco Ibarra's National Velasquistas Federation apparently shares this belief as they are already trying to discredit Yerovi, claiming that although his parents were Ecuadorean citizens, he himself is ineligible to be president because he was born outside the country.

Other political groups--notably the Liberal Party, Ecuador's second largest--have indicated they may back Yerovi for the presidency, though mostly because they have no attractive candidate of their own. For his part, Yerovi insists publicly that he will not be a candidate. Privately, he is known to be less rigid, and may in fact be actively working to perpetuate himself in office.

Constituent assemblies have been notoriously unstable, irresponsible bodies in Ecuador. Filled with ambitious, corrupt politicians maneuvering for advantage and position, past assemblies have all too often been tools for the inadvertent preservation of the endemic political instability that has plagued the nation since it gained independence in 1822. The present assembly may follow a similar path. There are [redacted] of plans for the suborning of the deputies on behalf of this or that presidential aspirant, and there are also reports that Yerovi may employ the resources of the government to perpetuate himself in office.

### Political Party Positions

Ecuador's three traditional political parties, the Conservatives, Liberals, and Unified Socialists, have all announced support for the constituent assembly. The smaller parties, which have little chance of gaining power by this avenue, oppose it.

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The most vocal opponents are the supporters of four-time president Jose Maria Velasco Ibarra. The Velasquistas are instead pressing for direct presidential elections, since Velasco is considered to be popular with the masses. The party feels, and justifiably so, that he could not come to power through the assembly because most of the parties oppose another Velasco administration. Moreover, the constituent assembly will probably insert a clause in the new constitution barring him from a fifth term in office. The Velasquista campaign against the assembly has virtually failed, however, and although Velasco maintains his staunch position against it, he has released his followers to participate if they so wish.

Since returning from exile on 24 May, Velasco has failed to generate great mass enthusiasm or to demonstrate much of the demagogic skill that has been his trade-mark. This has stimulated the Velasquistas to plot with opportunistic military elements in hopes of bringing off a coup supported by street mobs. Several plots have failed to materialize, however, and the Velasquistas are now lying low awaiting a slip by Yerovi on which they could capitalize. At the same time, they are continuing attempts to subvert the armed forces.

Despite the fact that Velasquismo has lost ground in the past months, Velasco remains an important political

figure in the country, and can be expected to continue his efforts to bring down the interim government.

Since no single party is strong enough to control the constituent assembly, coalitions and flimsy pacts of convenience will be the order of the day. At their recent party convention, the Liberals called for a center-leftist coalition. The Conservative Party is currently making overtures for the support of the small Democratic Institutional Coalition. The Social Christian Movement, whose titular leader, ex-President Camilo Ponce, is one of the strongest candidates for the presidency, also called for the formation of a political front at its recent convention. Many of the political alliances made in the coming months will depend more on personalities, deals, and ready money than on party loyalty or ideology.

### The Position of the Military

The majority of military officers support Yerovi's interim government, primarily because they see no suitable alternative. Most of them are convinced that military prestige suffered greatly under the junta, and they are disinclined to risk further damage by reassuming control of the government. This reluctance also extends to supporting a take-over by another civilian--such as the ambitious Minister of Defense Fausto Cordovez

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Chiriboga, for example--since the military is publicly committed to Yerovi's returning the country to constitutionality. On occasion, however, there is evidence of disappointment with Yerovi on the part of high-ranking officers because of his lack of firmness and resolve. The President's tactic of threatening to resign unless he gets his way has also worn thin, and is resented by many officers because it gives an appearance of weakness.

There are, of course, a few ranking officers--both on active duty and retired--who harbor political ambitions

Most of the plotting seems to be contingency planning in the event Yerovi quits or the Velasquistas attempt a take-over.

### The Outlook

Any government that emerges from the November constituent assembly will face the same problems that have plagued previous Ecuadorean regimes, and there is no reason to believe that there will be anything but a marginal improvement in the economic situation for the foreseeable future. The parties are weak, divided, and run by venal, opportunistic men. The military, the only significant institutionalized force except the church, recognizes that it would not gain popular acceptance of another take-over unless the economic and political situation became so chaotic there was nothing else to turn to.

The constituent assembly and subsequent elections will again provide Ecuador with a legislature, an element that has been absent for some years. However, if history repeats, the government will then have to resort to large-scale and constant bribery to secure approval of desired legislation --Ecuador's politicians traditionally view seats in congress as remunerative rather than legislative positions. Moreover, factionalism in the legislature seems certain to impede

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further the working of the national government and to give vested interests an avenue of maneuvering for pecuniary advantage.

The key element in Ecuadorean political life has always been the armed forces, and this probably will continue to be the case. The acquiescence of the military is imperative for any executive, and its support against the perennial challenges of street mobs or striking interest groups can determine the survival or failure of a government.

Over the long term, Ecuador's progress and evolution into a modern state hinges on revitalization of its political system. Since the orienta-

tion of the people is inherently toward men rather than ideas, the change, if it is to come at all, must be gradual and accomplished through the emergence of a new, dynamic leader with sound and balanced ideas. If such a person could attain the presidency, he would have a chance to attempt a restructuring of political parties through the amalgamation of several existing parties. Such a force could then become a vehicle for orderly presidential succession and the undertaking of extensive national development.

In the meantime, however, prospects are for chronic political instability with frequent crises as challenges come and go.

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